

## **Concessionary Fares update – 12<sup>th</sup> December 2007**

This note gives an update on the LGA's lobbying on behalf of member councils which will face extra costs as a result of changes to concessionary bus fares.

### **Latest news: special grant funding announcement**

When the new concessionary fares scheme was announced, the government said it would provide £212 million for councils in England to fund it. The Department for Transport has now announced the provisional allocation between councils of a Special Grant to support the extension of free travel for the over 60s and some disabled people from April 2008.

This announcement partly reflects what councils asked for. The LGA argued that the additional money for the national concession should be paid via special grant, and it is pleasing that the government has listened. This will

- ensure that each authority knows exactly how much funding it will receive
- helps councils on the grant floor, as the special grant will be additional to their block grant; and
- will potentially allow the flexibility to revise the distribution of the funding within the three year period if the distribution turns out to be very different from the costs councils actually face.

However, the LGA, reflecting the views of member councils, also argued that any distribution formula was inevitably likely to produce the wrong result for many individual councils, leaving some short of money to fund the concessionary fares scheme. Our initial analysis of the funding allocation suggests that we were correct in our view. In a number of areas, the funding allocation is well below councils' estimate of the likely costs to them of the extension to the national scheme. Nottingham faces an estimated shortfall of £1.65 million, Brighton and Hove £1.8 million and Southampton, £0.74 million.

These councils and many others will face hard choices in finding the extra funding for the scheme, including having to consider cuts in services and increases in council tax. The final distribution will be subject to a Parliamentary scrutiny before the Local Government Finance Settlement in late-January/early-February and we will use this opportunity to make further representations.

It is disappointing that Government is not intending to make the most of the flexibility afforded by Special Grant arrangements to ensure that councils are not left out of pocket in implementing the national scheme. The LGA argued on

behalf of member councils that that the government should provide for part of the grant to be held in reserve and used as a contingency fund, to help councils that faced significant shortfalls. Our early analysis of the provisional allocation suggests that a contingency fund would have been the best way to deal with the expected shortfalls.

### **What happens now**

We are now lobbying to ensure that Government takes advantage of the flexibility provided by Special Grant to re-visit the funding distribution within the three-year CSR period to allow a fairer allocation of the grant once the true costs of the scheme in individual areas is known. The lack of a contingency provision increases the importance of keeping options for distribution in 2009/01 and 2010/11 open. In order to ensure this review takes place at the earliest opportunity, we need to make sure that we have accurate data about the costs of the new scheme. We are asking the Department for Transport to make sure that a mechanism is in place to collect financial returns from all Transport Concession Authorities to provide the basis for a review to take place.

We have also queried the Department for Transport's assumption that the £212 million provided for the national extension in 2008/09 is sufficient, although the government has so far been unwilling to disclose the calculations on which this figure is based. We are also concerned that the funding announced for 2009/10 and 2010/11, with provisions of £217m and £223m respectively, may not adequately reflect the costs in those years. More passes in circulation with higher usage and real terms fare increases will see costs considerably, very likely in excess of the proposed 2.5% increase in grant provision. For this reason, we are also urging Government to keep the amount of funding open to review in years 2009/10 and 2010/11.

### **Action for councils**

It will be important to work out how many councils expect to face a shortfall in funding as a result of this announcement, and also to work out whether the overall picture calls into question the total amount of grant budgeted by the government. We would be grateful if individual councils could let us know how their estimate of the **extra** cost they face from the introduction of the new national concessionary fares scheme compares to the provisional allocation of grant announced by the government. A link to the grant table is here:

<http://www.dft.gov.uk/pgr/regional/buses/concessionary/nbcfaddtngants>

Please send any information you are able to share with us to [info@lga.gov.uk](mailto:info@lga.gov.uk); it would be helpful if you could indicate whether you would like us to keep the information confidential.

We expect that many councils will be making representations directly to the Department for Transport about their grant allocations. It would help our lobbying on behalf of all councils if you could copy us any representation you send. This should also be sent to [info@lga.gov.uk](mailto:info@lga.gov.uk).